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Copy of D.O.No.6082 dated 17th July 1920 from Major C.T.C. Plowden, First Assistant to the Resident in Mysore, to Sirdar M. Kantaraj Urs, C.S.I., Dewar of Mysore, Bangalore.

1. Please refer to the correspondence ending with my demi-official letter No.5767 dated the 6th July 1920. As regards the suggestion that the Durbar should be given an opportunity of converting, at the Rs.15 rate, the Durbar's sterling balance of £450,000, the Government of India remark as follows:

2. "Indeed as far back as the 2nd February, in announcing the acceptance by the Secretary of State and themselves of the conclusions arrived at by the Indian Currency Committee, the Government of India practically gave notice of their intention to alter the legal ratio of the sovereign from Rs.15 to Rs.10 and in point of fact, not a few holders of sovereigns have tendered, while others have since that date been continuously tendering, their sovereigns for redemption. The exact time when the new legal ratio should be enacted was dependant on various factors of which the most important was the removal of the restrictions on the import of gold and the Durbar must have been aware as everybody else has been, that this latter step would necessarily coincide with, if it would not precede, the introduction of the new ratio. In so far, then, as the Durbar failed to take advantage of the offer made to them permitting them to import bullion and to sell it, at their own risk, in the open market, the Government of India cannot in any way be held responsible for the consequences of such failure. In point of fact, the Durbar are practically in no worse position now than if they had accepted this offer for the price of gold in London, which stood on the 5th May at 109 sh per fine ounce, now stands at 103s.7d., so that conversion by the Durbar of their sterling credits into gold bullion will result in their securing a larger quantity of gold bullion than if they had made the conversion in May. The price of gold in India has it is true fallen but only practically to the same extent as the London price. Country gold was selling in Bombay on May the 1st at Rs.22-14-0, whereas to-day the price is Rs.21-10-0. There has thus been a fall of 5s.4d. in the London price per fine oz., representing 4.97 per cent. as --

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against a fall of Rs.1-4-0 per tola in India representing 5.46 per cent

3. "Nor is the Durbar prejudiced in any way by the action taken by the Government of India in demonetising the sovereign, for on the 2nd of February Government announced that the acquisition rate for sovereigns on import would be one to ten rupees, and legally the Durbar, like any other importer, could not have obtained for any sovereigns imported by them from England any higher rate. As a matter of fact, if the Durbar were to import sovereigns after the moratorium they could probably sell them in the bazaar at a higher rate as gold than the equivalent of Rs.10 for each sovereign.

4. "The Durbar have made the proposal that they should be given special facilities for importing sovereigns at the old rate of Rs.15 to the £. In the first place, the Durbar could not have converted their sterling credits into sovereigns without special facilities being afforded to them by the Bank of England. This they have recognized in asking that the Government of India should assist them in obtaining such facilities. On this point I am to say that the Government of India cannot regard the Durbar as being in a position different from that of any other holder of sterling credits, and though the credits in question may have been accumulated as the result of the royalties due on the gold mined in the Mysore State, the arrangement whereby such gold was sold to the Bank of England at 85s. was one arrived at between the companies and the Bank and was applicable to all gold produced within the British Empire, so that the Mysore mines were treated in no way differentially from that of other gold producers, and the Government of India would find it very difficult to endorse any application for preferential treatment in favour of the Durbar on this ground. In the second place, assuming that the Durbar could have succeeded in arranging for the conversion of their sterling credits into sovereigns and could have imported them into India, the extension to them of a rate of Rs.15 as against the rate of Rs.10 which was then being paid to any other importer would have exposed the British Indian taxpayer to a loss which it would have been difficult to justify, since the Government of India had then adopted the policy of rating the sovereign at Rs.10 and any sovereigns taken over by them at a preferential rate would ultimately have had to be revalued at the lower rate. Moreover, at the time

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when such importation could have taken place, the value of the sovereign, qua gold in the Indian market was, less than Rs.15 and there would have been no justification from the point of view of the British Indian taxpayer for paying the Mysore Durbar a higher rate for their sovereigns than they could have obtained by the sale thereof in the market qua gold

5 "Finally I am to point out that the moratorium was purposely limited so as to make it impossible for fresh imports of sovereigns to be tendered at the privileged rate of Rs.15. The obligation of the Government of India to redeem at Rs.15 applies only to sovereign already in the country and not to sovereigns subsequently imported."

6 2. I am to add that Mr. Barton very much regrets that the Government of India have found it impossible to accede to the representations of the Durbar in the matter. He thinks, however, that the Durbar will realize, now that the position has been fully explained, that it was out of question for the Government of India to adopt the course suggested as, by doing so, the Government of India would have been benefiting Mysore finance at the expense of the Indian taxpayer, a contingency which, Mr. Barton believes was never contemplated by the Durbar.

7 You will see that the Government of India recognized their obligation to pay Rs.15 to the sovereign only to the extent of sovereigns actually in India when the new currency policy was announced and it is obvious that, had they permitted the Durbar to import, say 2400,000 sovereigns, the Government of India would practically have lost 20 lakhs by the transaction.